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5th ANNUAL MILITARY DISTRIBUTION REPORT — FREQUENT DELIVERY SPEEDS UP

Military Market

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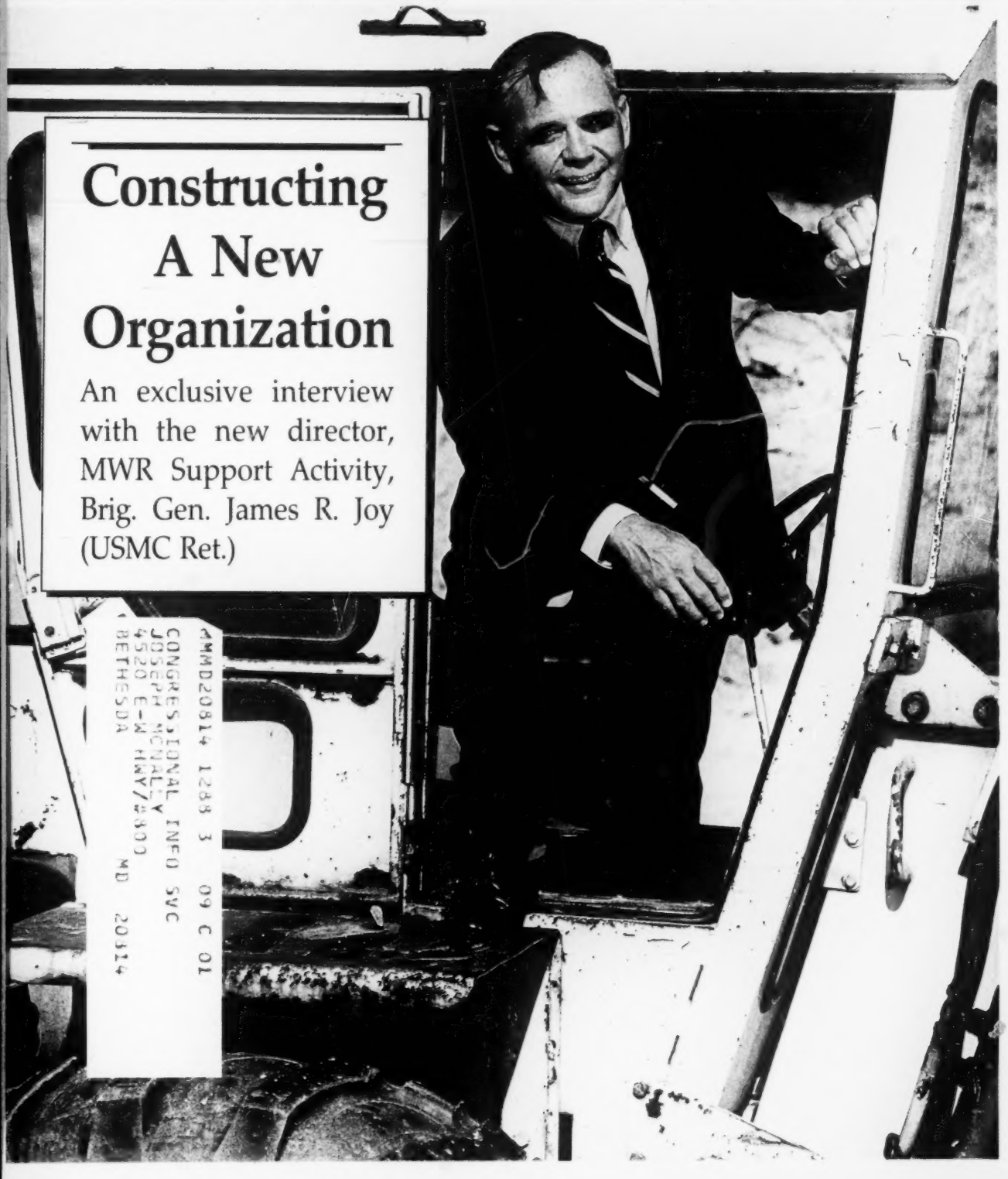

Constructing A New Organization

An exclusive interview with the new director, MWR Support Activity, Brig. Gen. James R. Joy (USMC Ret.)

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6 – *Milbrands contracts with Powerforce for stocking.*

news

8 – *Armed services members lament cost of military living in the Pacific.*

AAFES credit card approval for lower ranks "not encouraging"

A little over 18 percent of enlisted personnel ranked E-1 to E-4 who applied for the AAFES-sponsored Visa or MasterCard between March and July actually ended up acquiring the credit card.

The Armed Services Community credit card program — jointly launched on March 18 by the Army and Air Force Exchange Service and Lomas Bank USA — has approved an undisclosed total number of accounts for military servicemembers.

But MILITARY MARKET has learned that, of the total number of accounts approved, only 3,420 were granted to servicemembers with the rank of E-1 to E-4.

Ken Scott, Lomas's senior vice president of marketing, declined for competitive reasons to disclose the total number of accounts the bank has approved to date.

"Although the results of the lower grades [approval] have not been encouraging, the program as a whole has met expectations and is showing a promising future," Scott told MILITARY MARKET.

To qualify for the card, active duty military personnel must have a monthly household gross income of $1,375 if living off base, or $925 if living in government quarters, according to the bank's application. All other applicants must have a monthly household gross income of $1,375.

The main objective of the program was to help servicemembers establish a credit line, even if they are stationed overseas, said Army Capt. Nick Roehr, an AAFES spokesman.

Often, military personnel have a tough time starting a credit line because they move often. The bank's application form notes that the cards have worldwide purchase and cash advance capabilities.

Despite the effort to grant credit cards to military personnel — especially young enlisteds, who often

See CREDIT, page 14.

Affinity Cards' Enlisted Approval/Rejection Rates

	Applications	Rejections	APPROVALS TOTAL		Starter		Regular	
E-1	204	203	1	0.5% of all applications	1	0.5% of all applications	0	0.0% of all applications
E-2	1,148	1,065	83	7.2% of all applications	75	6.5% of all applications	8	0.7% of all applications
E-3	5,004	4,011	993	19.8% of all applications	885	17.7% of all applications	108	2.2% of all applications
E-4	12,269	9,926	2,343	19.1% of all applications	1,891	15.4% of all applications	452	3.7% of all applications
Total	18,625	15,205	3,420	18.4% of all applications	2,852	15.3% of all applications	568	3.0% of all applications

SOURCE: ARMY & AIR FORCE EXCHANGE SERVICE

AFCOMS may employ rackjobbers

The Air Force Commissary Service is "studying the possibility" of using rackjobbers to stock its commissaries, Col. Ronald Leach, director of operations, told MILITARY MARKET.

Leach said that, while it is a "pretty common practice" in civilian retail, a factor AFCOMS must consider is price.

AFCOMS will make a decision on whether to experiment with rackjobbers in two or three months, Leach said. "If we elect to adopt that concept, we will only do it in one or two stores, and it will only be a test."

Roy Takemoto, deputy to the commander of AFCOMS' Southwest Region, said his region is being considered for the test. Officials there have been looking into rackjobbers who service the area — primarily ones in the health and beauty aids category.

"We've been given the authority to look into it," Takemoto said. "We're getting basic information as to what they have to offer and how it would work. We've had informal discussions, but we're not signing any contracts."

The companies they've talked to include Rasson Drug and Sundry Co. and Fleming Foods, both in Phoenix, Ariz.; Super Valu's Albuquerque, N.M. facility, and A.M. Lewis, which is based in Riverside, Calif.

Takemoto said AFCOMS is not sure how far it would want to go and added that he did not know which stores would participate in a test.

A CORRECTION:

"It's General Mills . . . Please"

We accidentally mis-identified a well-known resale executive in the July issue of MILITARY MARKET (news section, page eight). For the record: It's General Mills' Bill Kastor (who's retiring) and in the photograph talking with ALA President Richard Scott.

letters to the editor

End of MARC Systems: "Based Solely Upon Lack of Participation"

It is with deep regret that we must announce the close of MARC Systems Virginia and North Carolina operations on July 22, 1988.

This decision was based solely upon the lack of participation from this industry, which created grave concerns for accepting additional financial investment for future phases of our program.

The unfortunate result at the conclusion of our program is that our customers will regain their illegal status along with the rest of this industry, unless other solutions are identified and utilized immediately. My concern is that our program and its publicity has only further emphasized the existing dilemma, which increases the risk to each company.

We regret the inability to continue operations for our customers who were enjoying the benefits of our service, and in many cases, major increases in sales volume for the period. We made every effort to satisfy their requirements through our program.

Our program has identified and documented the reality of "employees," known as independent vendor stockers. It is a dilemma in need of immediate attention.

Though we provided the opportunity for successful programs in 16 military commissaries, there still remained tremendous resistance and interference from many sales representatives, commissaries' personnel and independent contract stockers. There were also several customer representatives and commissary employees to which we are grateful for their sincere support and encouragement.

I was personally touched by the responses of our merchandising supervisors in announcing the close of operations. I would expect concerns at their loss of employment. Instead, the responses were of surprise when they believed they had done a good job and that it *was* working — and then of sorrow for all of the effort put forth by our MARC Systems team. Their level of committment and dedication has been tremendous. Some employees, who were former independent vendor stockers, have stated that they will not return to that former position after they have enjoyed the benefits associated with us as an employer.

John Merana and I wish to express our sincere appreciation for your support of MARC Systems and our association with you during our program. We wish you much continued success in the future.

Terri K. McCann
Vice President, MARC Systems

Please address your letters and comments to Nancy Tucker, Editor, MILITARY MARKET, 6883 Commercial Dr., Springfield, VA 22159-0210. Names are always withheld on request, but we must have your name, address and telephone number to confirm the authenticity of your letter.

CREDIT from page 4.

have no credit history — data obtained by MILITARY MARKET shows that not many enlisted servicemembers passed Lomas's creditworthiness tests.

By the end of July, out of 18,625 applications from enlisted members ranked E-1 to E-4, Lomas approved only 3,420, or 18.3 percent. Of these, 2,852 are "starter credits" — accounts given to people without a credit history — with limits from $300 to $500.

Another 568 applicants received "regular credits" — accounts for those people with a previous credit background. Credit limits for regular accounts vary and are determined based on the financial qualifications of each applicant.

Far more starter credit accounts were approved than regular ones, which indicates that the armed services credit card program may be meeting AAFES and congressional objectives of assisting military personnel in establishing credit. It also gives strength to the argument that such a card is a good way for lower-graded personnel to establish credit histories.

Although the number of approved starter credits does not seem high, it accounts for 15.3 percent of the total credit cards requested by E-1s to E-4s. Regular accounts opened for E-1s to E-4s total only 3 percent. *[See chart on page 4.]*

In general, the higher the grade of the applicant, the more likely they were to get approval for a card.

"There is a much higher [bank] decline rate early in the program," said Scott. The novelty of an all-service credit card program attracts a lot of people who are in debt and people in poor financial positions, he added, so there is a "higher percentage of decline in the beginning."

It was not possible to compare the approval rates of the Armed Services credit card program with civilian credit card programs, because there is no single source of national approval or rejection data. Approval rates are set by local banks which offer Visa or MasterCards, and banks regard this data as proprietary information.

Visa and MasterCard executives told MILITARY MARKET that banks require a minimum gross annual income to qualify for either card. This varies between $12,000 and $18,000, depending on the bank.

Besides Lomas Bank, other credit card issuers target the military with their advertising. For instance, First Interstate Bancard Co. offers Visa and MasterCards with military designs.

But it is believed that the Lomas-AAFES card program is the only card offered jointly by a military organization and a card issuer.

NOTICE TO OUR READERS

While we enjoy receiving letters, the writers of anonymous ones undoubtedly are frustrated when we don't publish them. Our policy requires that all published letters include a name, address and telephone number. This information can be withheld from publication — we may telephone you to confirm the information in the letter.

We often withhold names from publication and will continue to do so. We don't divulge the names of the writers of name-deleted letters — to anyone. Ever.

What happens to a letter which arrives unsigned? It gets read. But no matter how good it is, and no matter how much we'd like to publish it, "not used" is written across the top, and it's consigned to a file.

We welcome your letters and comments and hope you'll continue to send them. With name, address and phone number, of course!

Military Market index

COMMISSARIES

		MAY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$152,727	$162,277	-5.88	$788,074	$786,936	0.14
	OVERSEAS	38,744	35,886	7.96	182,126	165,053	10.34
AIR FORCE	TOTAL	**191,471**	**198,163**	**-3.38**	**970,200**	**951,989**	**1.91**
	CONUS	110,670	117,915	-6.14	563,780	555,450	1.50
	OVERSEAS	40,320	43,890	-8.13	215,355	194,355	10.80
ARMY	TOTAL	**150,990**	**161,805**	**-6.68**	**779,135**	**749,805**	**3.91**
	CONUS	60,467	60,099	0.61	315,741	308,226	2.44
	OVERSEAS	7,062	6,617	6.73	35,932	34,645	3.71
NAVY	TOTAL	**67,529**	**66,716**	**1.22**	**351,673**	**342,872**	**2.57**
	CONUS	12,984	14,335	-9.42	68,536	67,797	1.09
	OVERSEAS	380	304	25.00	1,596	1,357	17.61
MARINE CORPS	TOTAL	**13,364**	**14,639**	**-8.71**	**70,132**	**69,154**	**1.41**
	CONUS	260	232	-12.07	1,319	1,240	6.37
	OVERSEAS	351	324	-8.33	1,470	1,621	-9.32
COAST GUARD	TOTAL	**611**	**556**	**-9.89**	**2,789**	**2,861**	**-2.52**
	CONUS	$337,108	$354,858	-5.00	$1,737,450	$1,719,649	1.04
ALL	OVERSEAS	$86,857	$87,021	-0.19	$436,479	$397,031	9.94
COMMISSARIES	TOTAL	**$423,965**	**$441,879**	**-4.05**	**$2,173,929**	**$2,116,680**	**2.70**
GROCERY STORES	*U.S.*[1]	*$25.620*	*$25.597*	*0.09*	*$123.827*	*$119.865*	*3.31*

EXCHANGES

		MAY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$285,943	$276,197	3.53	$1,306,338	1,230,536	6.16
	OVERSEAS	235,120	205,800	14.25	1,088,188	928,636	17.18
AAFES	TOTAL	**521,063**	**481,997**	**8.11**	**2,394,525**	**2,159,172**	**10.90**
	CONUS[2]	103,396	98,798	-4.65	483,589	441,952	9.42
	OVERSEAS[2]	45,695	42,228	-8.21	212,299	193,126	9.93
NAVY	TOTAL[2]	**149,090**	**141,026**	**-5.72**	**695,880**	**635,078**	**9.57**
	CONUS	31,054	30,603	1.47	144,130	140,399	2.66
	OVERSEAS	5,618	5,428	3.50	25,931	23,982	8.13
MARINE CORPS	TOTAL	**36,671**	**36,031**	**1.78**	**170,061**	**164,382**	**3.45**
	CONUS[3]	7,105	7,250	-2.00	31,546	32,190	-2.00
	OVERSEAS[3]	529	540	-2.04	2,350	2,398	-2.00
COAST GUARD	TOTAL[3]	**7,634**	**7,790**	**-2.00**	**33,896**	**34,588**	**-2.00**
	CONUS[4]	1,221	1,297	-5.86	6,759	7,424	-8.96
	OVERSEAS[4]	1,892	2,147	-11.88	10,097	10,608	-4.82
MAIL ORDER	TOTAL[4]	**3,113**	**3,444**	**-9.61**	**16,856**	**18,032**	**-6.52**
	CONUS	$428,719	$414,145	3.52	$1,972,362	$1,852,501	6.47
	OVERSEAS	$288,854	$256,143	12.77	$1,338,865	$1,158,750	15.54
ALL EXCHANGES	TOTAL	**$717,573**	**$670,288**	**7.05**	**$3,311,227**	**$3,011,251**	**9.96**
DEPARTMENT STORES	*U.S.*[1]	*$12.277*	*$12.147*	*1.07*	*$52.854*	*$50.687*	*4.28*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.
NOTE: Distribution of sales by CONUS and overseas is based on definition by respective service and system. Figures do not include sales tax.